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## BOOK REVIEWS

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*Government Regulation of Railway Rates.* By HUGO RICHARD MEYER, Assistant Professor of Political Economy in the University of Chicago. New York: The Macmillan Co., 1905. 8vo, pp. xxvii + 486.

The author of this book has been erroneously confused, even by statesmen, with Professor Balthasar H. Meyer, of the University of Wisconsin. The book represents the results of some twelve years of study, undertaken originally "with a strong bias in favor of state intervention in industry." Publication has been hurried in order to reach the public during the present agitation in favor of conferring the rate-making power upon the Interstate Commerce Commission. The work consists of two parts, the larger part being devoted to the United States. The author points out at the outset that the rate-making power has no particular bearing upon personal discriminations, such as rebates, or upon excessive charges, of which there is little complaint so far as American railroads are concerned; but it is of primary importance where the reasonableness of rates, as compared with each other, is involved. The thesis of the book may be shown by the following quotation:

The answer of all experience is: Every effective effort to regulate railway rates in general will arrest the decline of rates, by producing a deadlock of conflicting sectional interests, will prevent the railways from developing a volume of traffic sufficiently large to justify the maintenance or the building of railways of the highest attainable efficiency, will check the development of the resources of the country, and will demoralize the politics of the country.

At times one is led to believe that each generation in America must try over again every political experiment. In some cases, however, such as granting the suffrage to backward races, or conferring the rate-making power on public officers, there seems to be no retreat from an unsuccessful experiment. Mr. Meyer has undertaken to collate the experience of other countries upon government rate-making, and with results of the greatest significance, if we are willing to learn from them. His study of Prussia is perhaps the most valuable part of the work, unless we except his searching criticism of certain rulings of the Interstate Commerce Commission. Prussia has

a thoroughgoing government ownership of railroads. Railroad rates are not generally reduced in Prussia, for the same reason that protective tariffs are not generally reduced anywhere; vested interests refuse to relinquish their artificial monopoly of markets. Mr. Meyer points out instances of most unfortunate local protection in the great typical cases of grain, iron, and sugar. Votes for the government have been secured by the refusal to reduce charges of transportation. Cheap rates of travel for laborers have even been sacrificed in the interests of landlords. Cars have been run empty when they might have carried freight. Protected localities have been established within the state, as effectively guarded from competition as if by customs tariffs, and railroads have not been allowed to neutralize the protection. The business of some ports has been built up, that of others destroyed. The discrimination resulting from the high railroad rates in favor of cities having water transportation (the rates of which, fortunately for Germany, have been free from government control) has been so great that in Germany an industrial community without available water transportation is lost. A tremendous stimulus has been given to canals, a means of transportation which in America does not compete successfully with railroads. Industrial Germany has been made absolutely dependent upon waterways. As Mr. Meyer points out, the discrimination in favor of large shippers as against small ones has been intensified by the use of water transportation. The government has grown dependent upon its railroads for revenue, and the reduction of rates is accordingly delayed, so that the last state of the German shipper is worse than the first. Roadbed and equipment have been allowed to become inferior. Local pressure prevents the government from acting on the principle of charging for transportation no more than the traffic will bear. The continual deadlock of conflicting private interests cannot be broken by reduction of rates, except at the political peril of the government. The development of the natural resources of the country is prevented. The principle of protection is carried so far that the government has reserved power over canal tolls in order to protect from competition, when necessary, its revenue from its railroads.

Mr. Meyer is at pains to point out the close similarity of the conditions of the experiment in Germany to those which would be found in the United States. Both countries are in the process of change from agricultural to industrial states; both are protected by high tariffs, and are inhabited by intelligent and enterprising people. No

one else has brought out so clearly that protection is the curse of government rate-making. This protection is not only national, but more frequently of the most local, provincial, and odious character. Free rates make for free trade, and to restrict the one is to restrict the other. America's greatest industrial advantage in the competition for the world's markets is her free railroads. Vested interests intrench themselves behind government-made rates, as they do behind protective tariffs, until public officers cannot or dare not afford relief. The inevitable result is a rigid and artificial system, incapable of adjustment to the unceasing changes of industry.

In France, under government regulation of rates without government ownership, results have been similar, although not so extreme. Frequently the reduction of rates is actually prevented by government pressure. For instance, where there is water competition no reduction is permitted below a rate 20 per cent. in excess of the rate by water. The same inelasticity of rates and failure of transportation charges to accompany the general fall of prices are manifest as in Germany. In Austria-Hungary, especially in Hungary where there are fewer private railroad companies, rates are fixed upon the basis of protection even against Austria. Through freight transportation across the continent, such as exists in America, is effectually blocked by the provincial rate regulation of the different states. The paralyzing effect upon the development of natural resources is only too obvious. As a means of relief, waterways can never avail a large part of the territory which railroads could serve with efficiency, if the hand of the government were taken off. In Russia the government owns and operates 65 per cent. of the railways, and regulates the rates of private lines as well. Not only are the rates adjusted to protect Russian industries, but also to protect certain favored parts of Russia against other parts, so as to prevent, for example, a fall in the prices of lands to which certain markets are tributary under existing railway rates. Efforts to lower such railway rates have been hitherto defeated by the private interests of landowners. Prohibitive railway rates are imposed on Siberian wheat where it would compete with Russian. In Australia the phenomenon of the use of railway rates to protect each colony as against the others is clearly exhibited, and there is also the unfortunate policy of making rates in the interest of the great ports, preventing the establishment of "basing points" or jobbing centers in the interior. The monopoly of import, export, and jobbing trade by Melbourne, Sidney, and Adelaide is established

and maintained by government ownership. The tremendous possibilities of government rate-making in the interest of national and local protection have not hitherto been realized by the American public. Mr. Meyer points out that the same causes which create protective rates elsewhere are operative with equal, sometimes greater, power in the United States. The "differentials" allowed certain ports in this country, and which government rate-making could destroy — indeed, as many lawyers think, under the clause of the federal constitution forbidding preference to the ports of one state over those of another, would necessarily destroy — illustrate the power of conflicting sectional interests to force their recognition.

In the part of his work relating to the United States, Mr. Meyer first shows that the development of the West has been mainly due to low railroad rates, made regardless of distance. He traces the origin of the differentials in favor of the various Atlantic ports, the vain struggle of New York to have a tariff of rates based upon distance enforced against the West, and the efforts to establish local protection by other states, such as Iowa, and particularly Texas, through their railroad commissions, some of which have been in a measure successful. Railroads work in the interest of free trade throughout the Union, but railroad commissions have sometimes deliberately set themselves to defeat free trade by helping state dealers to monopolize state markets. It would be easy for a rate-making commission to end that ceaseless competition between markets which is so marked and beneficent a feature of our American railroad system. The Pacific coast manufacturers and jobbers would find it greatly to their interest to keep competing goods from crossing the Rocky Mountains. Chicago would like to exclude New York from southern markets. New York would like to break up the system which gives cheaper rates to "basing points" and enables local jobbing centers to flourish in the South, so that all the jobbing business would be done exclusively in New York. As long as existing rates are the result of free play of commercial forces, local protection may be to a great extent neutralized; but not so when rates are fixed by a political body.

Mr. Meyer examines at length some of the more important rulings of the Interstate Commerce Commission, such as, for example, on export and import rates, and on the long-haul and short-haul clause, and points out the enormous public mischief which would have resulted but for the reversal of those rulings by the Supreme Court. He shows also the unfortunate results of other rulings of

the commission in which the railroads have acquiesced. His criticisms are vigorous and unsparing. The demand for a tariff based upon distance will never cease as long as it gives some competitors the advantage over others. The commission from time to time has accepted the distance basis and excluded large bodies of men from trading in certain markets. The making of rates in disregard of distance has been the life of American trade, and one is compelled to wonder what the commission would do with postal charges. Their hostility to "group" or "postage-stamp" rates has been manifested in all parts of the country. Mr. Meyer makes out a strong case for the view that, judging from past rulings of the commission, it would be unwise to place in their hands such enormous power to make mischief. Rate-making power would make them the most powerful officials in the industrial world, placing in control of a political body the fate of cities and of industries. The book concludes:

The verdict of the experience of the countries of continental Europe and of Australia, as well as the verdict of the experience of the United States, under both the federal Interstate Commerce Commission and the several state commissions, is unmistakable. It is impossible for the state to conserve and promote the public welfare by intervening in the regulation of railway rates, beyond the point of seeking to abolish secret personal discriminations, guaranteeing that all rates shall be reasonable *per se*, and providing that those rates which involve the question of relative reasonableness shall embody compromises which were made with intelligence and in good faith.

The author has produced a remarkably clear and forcible book upon a very involved and difficult subject. The boldness of his opinions and the vigor of his criticisms will very likely bring down upon his head the denunciation of more than one person to whom his opinions are politically distasteful, but it will be much easier to denounce him than to answer him.

BLEWETT LEE.

CHICAGO.

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*Trade Unions.* By GEOFFREY DRAGE. London: Methuen & Co., 1905. 8vo, pp. ix + 203.

Almost the last word that we had from English trade-unionism was Mr. Pratt's interesting and — from the trade-union point of view — discouraging book on *Trade Unionism and the Crisis in British*